

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:774
ANSWERED ON:17.08.2007
INTEREST RATE ON HOUSING LOAN
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Will the Minister of FINANCE be pleased to state:

- (a) the details of interest rates on housing loan increased from the year 2002, till date;
- (b) the reasons for unprecedented increase in the interest rate of housing loan which is directly affecting the poor and middle class families;
- (c) whether housing sector has gone into recession due to this; and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a): As reported by Reserve Bank of India (RBI), the weighted average lending rate on housing loans by Scheduled Commercial Banks from year 2001-02 to 2005-06 (latest available) is as under:

Year	2001-02	2002-03	2003-04	2004-05	2005-06
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Per cent	12.13	11.60	10.66	8.85	8.61
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Note : The data given are based on the accounts with limit of over Rs.2 lakh.

It would be observed that there is a decreasing trend in the interest rates.

(b) : The interest rates on loans given by banks have been deregulated by RBI since 1994. The banks are free to determine the rate of interest. However, RBI has stipulated that interest rate on loans by commercial banks upto Rs.2 lakh should not exceed the Benchmark Prime Lending Rate(BPLR).

The interest rates are market driven and, before bringing any change, the banks keep the following facts in view:

- (i) General credit off-take in banks;
- (ii) Bank's experience in managing loans;
- (iii) Bank's liquidity position;
- (iv) RBI Policy;
- (v) Prevailing interest rates within the banking system;
- (vi) Prevailing rate of inflation;
- (vii) Cost of funds.

(c) & (d) : As per Reserve Bank of India, outstanding Housing Loans for all Scheduled Commercial Banks are:

(Rs. Crore)

March 2005	March 2006	March 2007
134,270	179,053	224,469

It would be observed that there has been an increasing trend in the outstanding credit by Scheduled Commercial Banks for housing between March 2005 and March 2007.